Amendments to the Specification:

Please replace the paragraph beginning at page 9, line 28, with the following rewritten paragraph:

--Unfortunately, the MSE and MAD distortion measures do not take into account the cost in bits of actually encoding the vector. For example, a given motion vector may minimize the MSE, but it may be very costly to encode with bits, so it may not be the best choice from ~~an coding~~ a coding standpoint.--

Please replace the paragraph beginning at page 10, line 15, with the following rewritten paragraph:

--As shown in FIGS. 5 and 6, in the fast-search adaptive motion accuracy ("AMA") search strategy the encoder checks only a small set of the motion vector candidates. In the first step of the fast-search AMA, the encoder checks the eight motion vector candidates in a grid of 1/2-pixel resolution of square radius 1, which is centered on V_1 108. V_2 is then set to denote the candidate that has the smallest RD cost (i.e., the best of the eight previous vectors and V_1) 110. Next, the encoder checks the eight motion vector locations in a grid of 1/6-pixel resolution of square radius 1 that is now centered on V_2 112. If V_2 has the smallest RD cost 114, the encoder stops its search and selects V_2 as the motion vector for the block. Otherwise, V_3 is set to denote the best motion vector of the eight 116. The encoder then searches for a new motion vector ~~candidates~~ candidate in the grid of 1/6-pixel resolution of square radius 1 that is centered on V_3 118. It should be noted that some of the candidates in this grid have already been tested and can be skipped. ~~The candidate~~ The candidate with the smallest RD cost in this last step is selected as the motion vector for the block 120.--

Please replace the paragraph beginning at page 13, line 3, with the following rewritten paragraph:

--In one preferred embodiment of the present invention, the accuracy of the motion vector for a macroblock is first encoded using a simple code such as the one given in Table 1. Any other table with code lengths {1, 2, 2} could be used as well. The bit rate could be further reduced using a typical DPCM approach.

Code	Motion Accuracy
1	1/2-pel
01	1/3-pel
11	1/6-pel

Table 1. VLC table to indicate the accuracy mode for a given macroblock.

Next, the value of the vector/s in the respective accuracy space is encoded. These bits can be obtained from entries of a single VLC table such as the one used in the H26L codec. ~~codec.~~ The key idea is that these bits are interpreted differently depending on the motion accuracy for the macroblock. For example, if the motion accuracy is 1/3 and the code bits for the X component of the difference motion vector are 00001[1], the X component of the vector is Vx= 2/3. If the accuracy is 1/2, such code corresponds to Vx= 1.--

[1] Observe that this code is the fourth entry (code number 3) of H26L's VLC table in [6].

Please replace the paragraph beginning at page 14, line 10, with the following rewritten paragraph:

--FIGS. 8-18 show test results of the Telenor encoder codec with and without AMA in a variety of video sequences, resolutions, and frame rates, as described in Table 2. These figures show rate-distortion ("RD") plots for each case. The "Anchor" curve shows RD points from optimized H.263+ (FIGS. 8 and 9 only). The "Telenor 1/2+b" curve shows Telenor with 1/2-pel vectors and bilinear interpolation (the "classical case"). The "Telenor 1/3" curve shows the current Telenor proposal (the "Telenor encoder"). The "Telenor+AMA+c" curve shows the Telenor encoder with the full-search strategy of the present invention. The ~~" Telenor~~ "Telenor +FSAMA+c", as shown in FIGS. 15-17, shows the current Telenor encoder with the fast-search strategy. (Unless otherwise specified, the full-search version of AMA was the encoder strategy used in the experiments.) All of the test results were cross-checked at the encoder and decoder. These results show that with AMA the gains in peak signal-to-noise ratio ("PSNR") can be as high as 1 dB over H26L, and even higher over the classical case.--